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THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA

HOUSE OF REPRESENTATIVES

BOUNTY AND SUBSIDY LEGISLATION AMENDMENT BILL (NO. 2) 1988

EXPLANATORY MEMORANDUM

(Circulated by authority of the Minister for Industry, Technology
and Commerce, Senator the Honourable John N. Button)

BOUNTY AND SUBSIDY LEGISLATION AMENDMENT BILL (NO. 2) 1988

OUTLINE

This Bill is an omnibus measure proposing amendments to five bounty Acts and one subsidy Act, to give effect to various Government decisions and to effect some technical drafting changes.

The major changes contained in the Bill are to the Bounty (Printed Fabrics) Act 1981, and the Bounty (Textile Yarns Act 1981, and the Bounty (Bed Sheetting) Act 1977;

- i) to extend the life of the first two bounty schemes until 30 June 1995, as part of the Government's Post 1988 Textile, Clothing and Footwear (TCF) Plan; and to implement the phasing-down of assistance under the schemes to a final rate of 30%, as announced in that Plan and the 25 May 1988 Economic Statement, (Clause 4, Schedule 1); and
- ii) to increase the maximum annual amount of bounty available for payment under the third scheme as announced in the (TCF) Plan, from \$600,000 to \$3.2 million, commencing on 1 March 1989 and operating until 28 February 1993, when the Scheme will be reviewed (Clause 4, Schedule 1).

The Bill also makes minor technical amendments to the Bounty (Ships) Act 1980, the Bounty (Books) Act 1986 and the Subsidy (Cultivation Machines and Equipment) Act 1986 to clarify existing provisions in those bounty schemes, and to make a consequential change to the subsidy scheme as a result of the introduction of the harmonised tariff.

Financial Impact Statement

The proposed extension of the textile yarn and printed fabric bounties is expected to result in total bounty outlays for both of these schemes of about \$300 million over the 3 financial years 1988-89, 1989-90 and 1990-91. This figure incorporates the estimated savings arising from the changes announced by the Government in the Post-1988 TCF Plan and the May 25 Economic Statement of \$0.8 million in 1988/89, \$4.0 million in 1989/90 and \$5.5 million in 1990-91.

The proposed amendments to the bed sheeting bounty will require the Commonwealth to outlay a maximum of \$12.8 million between 1 March 1989 and 28 February 1993. The 4 month bounty period 1 November 1988 to 28 February 1989 is subject to a ceiling of \$200,000 (a pro-rating of the current \$600,000 ceiling for 4 months).

The amendments to the other bounty schemes and the amendment to the subsidy scheme have no direct financial implications.

Notes on Clauses

Short title etc.

Clause 1 provides for the citation of this Act as the Bounty and Subsidy Amendment Act (No. 2) 1988.

Commencement

Clause 2 provides for all parts of the Act to come into operation on the day of Royal Assent (subsection 2(1)), with the exception of:

- the proposed amendments to the Bed Sheetinq) Act 1977 (which implement the Government's Textile, Clothing and Footwear Plan as it relates to the increased annual monetary ceiling for the manufacture of bed sheeting), which shall come into operation on 1 November 1988 (subsection 2(2));
- the proposed amendment to the definition of "bountiable printed fabric", which shall commence on 1 March 1989 (subsection 2(3)); and
- the proposed amendment to the Subsidy (Cultivation Machines and Equipment) Act 1986, (relating to a consequential drafting change as a result of the introduction of the harmonised tariff) which shall be deemed to have come into operation on 1 January 1988, the date the harmonised tariff Act (the Customs Tariff Act 1987) was proclaimed to commence. (subsection 2(4))

Validation of applications for prescribed bountiable vessels

Clause 3 is a technical amendment to provide that any shipbuilders registered under the Bounty (Ships) Act 1980 who lodged an application for reservation of an amount of bounty with the Comptroller-General of Customs pursuant to paragraph 7(1)(g) of the Bounty (Ships) Act 1980 prior to 30 June 1988, and had that application accepted, will be deemed to have lodged a valid application for bounty at the rate of 20% of the cost of construction, as from the date of the Comptroller's acceptance.

- The Bounty (Ships) Act 1980 provides that a registered shipbuilder must reserve an amount of bounty at the rate of 15% of the cost of construction of a bountiable vessel prior to the making of a claim for

bounty, unless the vessel is a class of vessel prescribed pursuant to paragraph 7(1)(g) of the Bounty (Ships) Act 1980. Builders of a prescribed class of vessel are entitled to reserve an amount of bounty equivalent to the rate of 20% of the cost of construction of the vessel. On 28 August 1987 the Minister for Industry, Technology and Commerce announced that as from 1 January 1988 tugs, bulk carriers, rig service vessels and fishing vessels were to be "prescribed classes" of vessel. The regulations prescribing these vessels for the purposes of the Act were Gazetted on 30 June 1988. This clause of the Bill has the effect of ensuring that applications to reserve the higher rate of bounty for prescribed vessels, which were lodged and accepted between the time of the Minister for Industry, Technology and Commerce's announcement and the day the regulations prescribing the "prescribed class of vessels" were Gazetted (30 June 1988), were indeed validly accepted.

Amendment of various bounty and subsidy Acts

Clause 4 provides that the various bounty and subsidy Acts proposed to be amended by this Bill are to be amended as set out in the two Schedules discussed below.

Schedule 1

The amendments contained in this Schedule give effect to changes to various bounty schemes as follows:

Bounty (Bed Sheeting) Act 1977

Subsection 4(1B); subsections 4(2) and 4(3)

These amendments are technical in nature, and have the effect of making the periods 1 November 1988 - 28 February 1989, as well as each 12 month period commencing 1 March 1990, 1 March 1991 and 1 March 1992, a "bounty period" during which bounty can be paid.

Subsection 8(1)

This amendment provides that the maximum amount that can be appropriated by Parliament in any one bounty period for the purposes of the bed bounty scheme is:

- . \$200,000 for the bounty period 1 November 1988 - 28 February 1989 (this just pro-rates the existing annual ceiling of \$600,000 over this new 4 month period);
- . \$3,200,000 for each of the bounty periods commencing 1 March 1989, 1 March 1990, 1 March 1991 and 1 March 1992.
- This amendment increases the existing annual statutory limit that may be appropriated for this bounty scheme, from \$600,000 to \$3.2 million.

Bounty (Books) Act 1986Paragraph 4(5)(b)

This amendment amends the amount by which a claimant for bounty is to reduce the gross price of producing a book (or for individual production process(es), binding materials or paper), for the purposes of claiming bounty under the Act each year between 1 January 1989 and 1 January 1992.

- . In the Bounty and Subsidy Legislation Amendment Act 1988 (Act 28, 1988), the Government introduced a phased reduction in the amount of bounty payable under the book bounty scheme in four steps, commencing on 1 January 1989 and finishing 1 January 1992. This followed the acceptance of a recommendation of the Industries Assistance Commission to reduce the book bounty rate, arising from the Government's consideration of the Commission's Report No. 401, production of 25 February 1987, on the pulp, paper, paper products and printing industries. As a consequence of that change, it is necessary to alter the amount by which a claimant for bounty is to reduce the gross price of producing &c. a book. This is done pro rata at the same time each reduction in the rate of bounty takes effect.

Subsection 19 (11)

This amendment removes the orderly development provision from the Act.

- The orderly development discretion has been a standard administrative provision of all bounty schemes, and was intended to provide a facility to control the right of entry to schemes as a means to encouraging desirable rationalisation of the industries concerned. For this Scheme, however, it has not been desirable to restrict the potential bounty claimants on orderly development grounds. The continued presence of the provision unnecessarily adds to the cost of administering the bounty, and delays payment of bounty to new entrants to the industry. The removal of the provision is intended to address these concerns.

Paragraph 33(1)(g)

This amendment is a technical drafting change, which is consequential on the proposed repeal of the orderly development provision (discussed above).

Bounty (Printed Fabrics) Act 1981Subsection 2(1) (definition of "bountiable printed fabric")

This amendment increases the weight of printed fabric on which bounty can be paid from 120 grams per square metre to 125 grams per square metre, as a consequence of an amendment to tariff concessions granted to the importers of printed fabric material.

Subsection 2(1) (definition of "bounty period")

This amendment extends the life of this bounty scheme from 31 December 1988 to 30 June 1995.

Paragraph 6(b)

This amendment reduces the amount of bounty payable to producers of printed fabric on an annual sliding scale from 1 March 1989 until 30 June 1995.

- These phased reductions to the amount of bounty payable under this Scheme form part of the Government's Post 1988 Textile Clothing and Footwear Plan for the efficient restructuring of the textiles, clothing and footwear industries.

Bounty (Textile Yarns) Act 1981Subsection 2(1) (definition of "bounty period")

This amendment extends the life of this bounty scheme from 31 December 1988 to 30 June 1995.

The remainder of the amendments to this Act give effect to the Government's decision to phase the rates of bounty payable under this Scheme to a uniform 30% by 1 March 1994, as part of the Government's plan for the efficient restructuring of the textile, clothing and footwear industries;

Paragraph 6(1)(b)

This amendment reduces the rate of bounty payable to producers of continuous polyamide and polyester yarn to 30% in annual steps over a period between 1 March 1989 and 1 March 1994.

Paragraph 6(2)(b)

This amendment reduces the rate of bounty payable to producers of discontinuous fine acrylic yarn, worsted wool yarn and man-made fibre and wool blend yarn, other than yarn that has been used, or is proposed to be used, in the production of carpet to 30% in annual steps over a period between 1 March 1989 and 1 March 1993.

Paragraph 6(3)(b)

This amendment reduces the rate of bounty payable to producers of polyester-cotton yarn to 30% in annual steps over a period between 1 March 1989 and 1 March 1993.

Subsection 6(4)

This amendment reduces the rate of bounty payable to producers of cotton yarn, or yarn that is discontinuous man-made fibre yarn that has not otherwise had a rate of bounty set for it, other than yarn that has been used, or proposed to be used in the production of carpet, to 30% in annual steps over a period between 1 March 1989 and 1 March 1993.

Paragraph 6(5)(b)

This amendment increases the amount of bounty payable to producers of discontinuous coarse acrylic yarn, man-made fibre and wool blend yarn that has been used, or is

proposed to be used in the production of carpet, yarn that is discontinuous man-made fibre yarn that has not otherwise had a rate of bounty set for it that has been used, or is proposed to be used in the production of carpet, continuous man-made fibre that has not otherwise had a rate of bounty set for it or any spun yarn consisting of, or containing textile fibres that has not otherwise had a rate of bounty set for it to 30%, in annual steps over a period between 1 March 1989 and 1 March 1992.

Schedule 2

Subsidy (Cultivation Machines and Equipment) Act 1986

Paragraph 12(2)(b)

This is a technical amendment to amend a tariff heading quoted in the paragraph.

- . All tariff items quoted in bounties legislation required amendment following Australia's adoption of the "Harmonised Tariff" in the Customs Tariff Act 1987. This consequential amendment should have been included in the Customs Tariff (Miscellaneous Amendments) Act 1987, but was inadvertently overlooked. This proposed amendment corrects that error.
- The amendment will be deemed to have commenced on 1 January 1988, the day on which the Customs Tariff (Miscellaneous Amendments) Act 1987 came into operation.

